

## **LTC Frequently Asked Questions**

### **What is long term care?**

Long term care refers to a very broad range of medical, personal and social services provided to people who are unable to care for themselves over a relatively long period of time. While these individuals are usually considered chronically disabled, care is not limited to a nursing home as some people believe. It can be at assisted living facilities or at home by caregivers such as home health care workers, nurses or therapists, or in community-based settings such as adult day care centers. The ultimate purpose of long term care insurance is to help individuals retain their independence as long as possible, help assure that they may have freedom and choice in where they receive assistance, and help preserve their assets as much as possible.

### **Who needs long term care?**

Accidents can happen at any age, and serious illnesses can occur unexpectedly. A serious car accident could render someone in need of long term care. Someone with a broken hip could require rehabilitative care. A person recovering from a heart attack or stroke could need assistance with daily living activities like bathing and dressing.

### **What are the criteria for determining benefit eligibility?**

To meet our benefit eligibility criteria, an insured must be assessed and confirmed as having a Chronic Illness or Disability. Prudential will arrange for an Assessor to conduct an assessment using objective and professionally recognized industry standards to determine whether an insured has a Chronic Illness or Disability. The assessment may be conducted by telephone or in person depending upon an insured's particular circumstances.

A Chronic Illness or Disability is one in which there is:

A loss of ability to perform, without Substantial Assistance, for at least 90 days, two or more of the following Activities of Daily Living (ADL): Bathing, Continence, Dressing, Eating, Toileting, Transferring;  
A similar disability as described above; or  
A severe cognitive impairment which requires Substantial Supervision to protect an insured from threats to health and safety.

The term Substantial Assistance means:

1. The physical assistance of another person without which you would not be able to perform an Activity of Daily Living (ADL); or
2. The constant presence of another person within arm's reach which is necessary to prevent, by physical intervention, injury to the insured while he or she is performing an Activity of Daily Living (ADL).

The term Substantial Supervision means:

Continual oversight that may include cueing by verbal prompting, gestures, or other demonstrations by another person, and which is necessary to protect the insured from threats to his or her health or safety.

**What happens if my health fluctuates so that some days I qualify for two activities of daily living and other days I do not?**

Prudential's definition of Chronic Illness or Disability has two triggers. The first trigger, the inability to perform 2 out of 6 ADL's, must be considered by the licensed health care practitioner (LHCP) as expected to last for at least 90 consecutive days in order to be considered chronic. If the LHCP cannot make that diagnosis, then the trigger would not be met. If at the time of the assessment, the diagnosis of a chronic illness or disability according to our provisions has been confirmed, the claim for covered services will be considered. The trigger doesn't mean that the ADL deficiency cannot change from day to day. Prudential's claim practice is to view the overall picture of an insured's condition for chronicity. For example, the question describes what might possibly occur with a diagnosis of MS. Of course, for benefits to continue, we reassess periodically, typically every 3 months if the insured is receiving home health care; every 6 months, for care in a Nursing Home.

**Is there a waiting period under the plan?**

Yes. There is a one time, cumulative calendar day 90 day waiting period that applies towards all benefits except for Hospice Care, Respite Care, Lifestyle Changes Benefits, or Information and Referral Services.

Once an insured is assessed to be eligible for benefits under the plan, he/she must satisfy the waiting period, in calendar days, before benefits will be payable. The waiting period can be satisfied in one occurrence, or in multiple occurrences where the waiting period accumulates with each occurrence until it is satisfied. No out of pocket expenses need to be incurred in order to satisfy the waiting period.

**What about Medicare and Medicaid - I thought they paid for these types of expenses?**

Medicaid would be the payor of last resort. Therefore, Group Long Term Care insurance benefits would be paid first, before any Medicaid benefits would be made available.

Prudential's Group Long Term Care Insurance plan will not duplicate any benefits paid by Medicare. For example, Medicare pays benefits for the first 20 days of confinement in a skilled care facility and requires a co-payment for days 21-100 of that confinement. If the person has a Medicare Supplement plan, that plan should pick up the co-payment required. We are not permitted to pay this co-payment amount under our Group Long

Term Care insurance policies, in order to keep them federally tax qualified. Therefore we would start paying benefits as of the 101st day of confinement.

**Does the plan include a premium waiver?**

Yes. Premiums will be waived the first of the month following the date eligible benefit expenses are incurred. This feature applies to all benefits with the exception of Respite Care, Lifestyle Changes Benefit, and Information and Referral Services.

Eligible expenses include charges for services provided by a state licensed or certified facility, as well as services included in the Lifestyle Changes and Bed Reservation benefits as defined in this coverage. Charges are only considered to be eligible if the waiting period has been satisfied.

Premiums will be billed for the first of the month following a month in which we do not receive a claim or bill for services.

**What does actively at work mean?**

"Actively at Work" means performing the regular duties of the employee's job at his or her usual place of employment, without absence for reasons other than cold, influenza, or vacation, within the 30 days prior to enrollment. An employee must be actively at work on June 1, 2008 (when the plan becomes effective) in order to become effective on that date.

**Does the plan have a cash benefit option?**

Our Group Long Term Care Insurance plan is for a reimbursement model. As such, the policy provides coverage in the form of reimbursement benefits, according to the option the insured chooses, for covered long term care expenses, subject to the coverage waiting period and Daily, Annual, and Lifetime Maximums. Once benefit eligibility has been determined, the Prudential Claims Department will reimburse or pay for services on behalf of the insured.

Long Term Care Insurance is designed to provide coverage for necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance or personal care services, provided in a setting other than an acute care unit at a hospital, such as in a Nursing Home, in the community, or in the home. As such, it will help an insured to pay for covered expenses, but not to pay for more than the insured actually incurs. This policy will reimburse or pay the actual charges, up to the selected Daily Maximum, for Nursing Home facility care for as long as the insured is incurring covered expenses.

The Daily Maximum is the maximum amount Prudential will reimburse or pay for each day of Nursing Home services. The insured may choose to use the selected Daily Maximum on Nursing Home Care, Home Health Care, Adult Day Health Care, or any combination of care, provided he or she meets the benefit eligibility criteria. Eligible expenses for Home and Community Based Care are paid up to a percentage of the elected Daily Maximum.

Many people prefer the flexibility of cash benefit payments as opposed to a benefit that reimburses for bills already paid. To facilitate this, Prudential's Group Long Term Care Insurance product offers a Cash Benefit Option. Should an insured elect this option, he or she will receive benefit cash payments equal to the Home and Community Based Care Daily Maximum he or she elects without having to incur formal expenses. The cash benefits the insured receives can be used at his or her own discretion. Since benefits paid under this optional rider are made without regard to costs incurred by the insured, part of the benefits could be considered taxable income. A tax advisor should be consulted for more information concerning any possible tax implications.

### **Is there an inflation option under the plan?**

Prudential's Group Long Term Care Insurance product allows an insured to keep up with inflation by increasing his or her benefits (Daily Maximum and Lifetime Maximum), through one of the following options:

1. **Periodic Inflation Protection:** Included in the plan design, this feature will be offered at least every three years to those participants who did not elect the Automatic Inflation Option. No medical underwriting will be required unless an insured declines two consecutive inflation offerings. Coverage amounts would increase by at least 5%, compounded annually. Rates for this additional coverage will be based on the age of the insured at the time the increase becomes effective. An insured will be offered the increasing coverage even if he or she is receiving benefits. However, the increased coverage will not take effect until the insured stops receiving benefits.
2. **Automatic Inflation Increase:** An insured may also elect to increase his or her coverage amount through an automatic, built-in inflation option. On each policy anniversary date, the Lifetime Maximum will be increased by 5%, compounded annually. Increases will continue as long as the policy remains in force. The additional premium for this coverage is built into the entry age premium when the policy is purchased and is intended to remain level throughout the life of the policy.

### **Does the plan offer have a non-forfeiture feature?**

At an additional cost, an insured may elect a Non-Forfeiture Shortened Benefit Period Option to ensure some level of coverage even if he or she decides to stop paying premiums.

### **Is the plan portable?**

Yes. Prudential's Long Term Care Insurance product includes a portability provision. Under this provision, coverage is fully portable for all participants. As long as the insured continues to pay premiums on a timely basis and does not exhaust his or her benefits, coverage may be maintained regardless of his or her relation to the City of Rockville and regardless of the relationship between the group contract holder and Prudential. Rates do not change as a result of an individual becoming a portable insured.

**Does the plan provide coverage for informal caregivers, e.g., family members?  
Please explain how the use of informal caregivers may be covered.**

At an additional cost, we offer the Cash Benefit Option for those who would like the flexibility of receiving cash benefits for services performed by non-qualified/informal care providers. Under this option, eligible caregivers include skilled or non-skilled care providers such as family members and friends.

**Please explain the medical underwriting process you use to determine insurability.**

Under Prudential's standard evidence of insurability requirements, all benefited employees who are actively-at-work at the time of the initial enrollment and all benefited new hires (who enroll within 30 days of being eligible) will be guaranteed issue.

Retirees, spouses, same sex domestic partners, parents, parents-in-law, grandparents, grandparents-in-law, and late entrants will be required to complete an application containing a medical history health statement. Responses will be used by Prudential to determine eligibility for insurance.

Upon receipt, an application will be reviewed for completeness. Incomplete applications are returned and the completed applications are entered into the system and are forwarded to the Medical Underwriting department.

Each applicant age 72 and older will receive an in-person health interview to determine their functional and cognitive status. Information obtained by the assessor is reviewed by the Medical Underwriting area responsible for determining the impact of this data on insurability.

Medical records are requested for review for all applicant's age 56 and older and at other ages when warranted by the information presented on the application.

In the Medical Underwriting division, the responses to the application questions, the requested medical records and the health interview are reviewed in accordance with manuals developed for underwriting Long Term Care Insurance. Upon review of all requested underwriting information, a final determination is made regarding eligibility.

**What is the average turnaround time for processing an application?**

Within five business days of receipt, a Prudential enrollment form is scanned for completeness. If incomplete, it is returned to the applicant. Complete applications are entered into our system and handled based on our underwriting guidelines.

If coverage is guaranteed issue for active employees, a confirmation statement is generated when the application is entered into the system. This confirmation statement, with the Certificate of Insurance and premium billing statement, if required, is mailed to the insured within five business days.

If an applicant is subject to evidence of insurability, the application is forwarded to our Underwriting Section and underwriting proceeds based on our underwriting guidelines. Automatic rejections are mailed as soon as the rejection is determined. We anticipate a maximum turnaround time of 60 days for full underwriting of a Long Term Care Insurance application. If underwriting is not completed within this time frame, we decline the application.

**What happens to my coverage and possible benefit if Prudential decides to get out of the LTC business?**

An insured's coverage under Prudential's Group Long Term Care Insurance Contract is guaranteed renewable. This means that it cannot end except for payment of the lifetime maximum or for non-payment of premium (lapse). There is also a continuation provision that allows coverage to be continued on this guaranteed renewable basis by payment of the premium by the insured directly to Prudential in the event eligibility changes or the Group Contract is discontinued.

If the Group Contract Holder decides to end its sponsorship of the Prudential Long Term Care Insurance plan or in the very unlikely event that Prudential withdraws from the Long Term Care Insurance marketplace, coverage will continue for any insured who wishes to remain insured. By the terms of the contract's guaranteed renew ability provision, termination of the person's coverage can only occur as stated above. In actuality, the group contract remains in force until all obligations under its terms are fulfilled. Of course, no new enrollment would be permitted in such event.

**Are there any medical conditions (for those who are subject to medical underwriting) that would result in an automatic rejection for Long Term Care Insurance coverage?**

The medical history section of Prudential's enrollment form lists unacceptable conditions that result in automatic rejection. These conditions include, but are not limited to, AIDS related conditions, Amyotrophic Lateral Sclerosis, Chronic Memory Loss/Dementia and similar disorders, Metastatic Cancer, more than one Stroke or Cerebrovascular Accident, Liver Cirrhosis, Multiple Sclerosis, Muscular Dystrophy, and Parkinson's Disease. Other conditions may result in the declination of an application based upon the specific nature and severity of condition.

In addition, if an applicant is already in a Nursing Home, receiving Home Health Care Visits, using durable medical equipment such as a wheelchair, walker, oxygen, respirator or kidney dialysis coverage will not be approved. If they are unable to do any of their Activities of Daily Living they will also not be eligible for coverage.

**Will premiums ever increase?**

Should the actual plan experience emerge to be significantly different than that assumed in our original pricing, a rating adjustment may be appropriate after the initial rate guarantee period (5 years).

Our pricing does not anticipate the need to adjust rates in the future. However, should the actual plan experience emerge to be significantly different than that assumed in our original pricing, a rating adjustment may be appropriate after the initial rate guarantee period.

**Can premiums be paid under the Flexible Spending Account?**

No.

**What billing options are available?**

Direct Bill: This option is available on a monthly, quarterly, semi-annual, and annual basis.

**What is the process for submitting a claim?**

An insured or his/her representative can start the process of determining eligibility for benefits by calling Prudential's Long Term Care Customer Service Center to arrange for an assessment. We encourage insured's to call Prudential before beginning to use Long Term Care services so that they know in advance whether insurance coverage will be available. If the bills were incurred prior to notifying Prudential and the insured was determined to be eligible for benefits as a result of the notification, it is our practice to reimburse eligible charges incurred up to seven (7) days prior to Prudential being notified.

Prudential has contracted with Life Plans, Inc. Family Caring Network (FCN) to provide on-site (i.e., in-home) benefit eligibility assessments throughout the United States. At the request of and under the direction of Prudential, FCN provides services to all of Prudential insured's. Each plan of care is provided and developed through the FCN with Life Plans, Inc. FCN's staff of approximately 3,000 geriatricians are well trained to perform professional and objective assessments and develop appropriate plans of care.

Prudential will contact the Family Caring Network's Assessor who will call the insured person (or his/her representative), to arrange for an in-person interview and to complete the interview. The information gathered in this interview will be reviewed by a Prudential Care Counselor to determine eligibility for benefits. Eligibility assessments will be paid for by Prudential. Insured's can receive covered services from any state licensed or certified provider they choose.

Once deemed eligible, the insured is reassessed based on the severity of the condition. All claims are reassessed at least once yearly, as required by HIPAA.

The average claim processing time from receipt of claim to payment/denial of claim is ten (10) business days. Insured's who are determined to be eligible for benefits will be sent a supply of claim forms with a written notification that they have been approved. Payment can be made directly to a Long Term Care provider or the insured. Upon submission of a claim, it will be audited for completeness, for conformity to the criteria of the particular group contract (i.e., pre-existing conditions criteria, Coordination of

Benefits criteria, and contractual benefits), for conformity to the qualifications of the provider (i.e., licensed or otherwise qualified to deliver the care provided), and for conformity to the regulations of the state of residence.

The purpose of Long Term Care Insurance coverage is to help an insured pay for covered expenses, but not to pay for more than the insured actually incurs. To accomplish this, Prudential coordinates its payments with certain other coverages the insured may have that would provide benefits for the same services covered by this Long Term Care Insurance. Coordinating with other coverages helps the insured's benefits under this coverage last longer and helps maintain the premium rates for this insurance.

Coverages with which this insurance coordinates include:

Other Group Long Term Care coverages (insured or uninsured).

The following coverages, to the extent they cover the same types of expenses (e.g. Nursing Home, Home Health Care) that this insurance covers:

- a. Coverage (other than Medicare or Medicaid) under a governmental program provided or required by statute, if coordination is allowed by law. This can include coverage under the no fault or medical payment provisions of an automobile insurance contract.
- b. Coverage under group medical coverages (insured or uninsured).

Claims are also automatically audited for duplication and overpayment. Long Term Care claims are reviewed by a Claim Consultant who has responsibility for quality review functions. All claim payments or denials are accompanied by a written Explanation of Benefits which explains the payment or denial.

Claims are closed when the person recovers functional or cognitive ability and no longer qualifies for benefits, the maximum benefits have been paid, or death.

### **What if my claim is denied? Can I appeal?**

A claimant has the right to appeal a decision made about his or her claim. The Explanation of Benefits notice will explain the procedure the claimant should follow if he or she chooses to appeal a claim decision. The claimant can submit a written appeal within 15 calendar days from the date he or she received the decision.

Prudential will send the claimant a written acknowledgment of the appeals letter. If additional information is required and the appeal is denied, the acknowledgment will include a detailed explanation of the reason(s) for the denial. If additional information is required, Prudential will explain what information is needed. Upon receipt and review of the additional information, Prudential will notify the claimant in writing of the result of the review.



If the claimant still disagrees with the appeal decision, he or she can request in writing within 60 days of the decision that the matter be submitted to the Claim Appeal Committee. This Committee includes, but is not limited to, clinical consultants, legal consultants, and product management staff. After a thorough review, the Committee will send a written notification of its decision.

### **What effect could this insurance have on my taxes?**

As long as the coverage you are purchasing is federally tax-qualified, (and Prudential is ), meaning it meets federal requirements and the criteria set forth in the Health Insurance Portability and Accountability Act which was signed by the President in 1996, your benefits are not subject to federal income tax. All non-reimbursable (out of pocket) long term care expenses that exceed 7.5% of adjusted gross income may be tax deductible, and a portion of policy premiums may be tax deductible based on your age, if you itemize your deductions. Please contact your tax advisor regarding your personal circumstances.

### **Are there any charges not covered?**

Prudential's standard exclusions are as follows:

1. **Work-connected Conditions Charge:** A charge covered by a workers' compensation law, occupational disease law or similar law.
2. **Government Plan Charge:** A charge for a service or supply:
  - a. furnished by or for the United States government or any other government, unless payment of the charge is required by law; or
  - b. to the extent that the service or supply, or any benefit for the charge, is provided by any law or governmental plan under which the patient is or could be covered. This (a) does not apply to a state plan under Medicaid or to any law or plan when, by law, its benefits are excess to those of any private insurance program or other non-governmental program. When this (b) applies to Medicare, the benefits provided by Medicare will be deemed to include any amount that would have been payable by Medicare in the absence of a deductible or coinsurance requirement under that program.

3. **War:** Charges for a condition due to war or any act of war while the individual is insured. "War" means declared or undeclared war and includes resistance to armed aggression.
4. **Self-inflicted Injury or Suicide:** Charges arising from intentionally self-inflicted injury or attempted suicide, while sane or suffering from inorganic based insanity.
5. **Services and Supplies Outside the United States:** Charges for services or supplies outside of the United States and its possessions.
6. **Mental or Nervous Illnesses:** Charges for services or supplies connected with mental, psychoneurotic, and personality disorders of an inorganic nature. Conditions such as Schizophrenia, Manic Depression, Depression, Neuroses and Psychoses are considered to be inorganic. Conditions such as Alzheimer's disease, Chronic Brain Syndrome, Senile Dementia and Pre-senile Dementia are considered to be organic.
7. **Close Relative:** Charges for services and supplies furnished and charged for by a close relative other than a licensed professional who provides covered services within the terms of his or her license. Close relatives include the insured, his/her spouse, or a child, grandchild, brother, sister, or a parent of the insured or his/her spouse.
8. **Services or Supplies Normally Furnished Without Charge:** Services or supplies for which no charge would be made in the absence of coverage.
9. **Chronic Alcoholism or Chemical Dependency:** Charges in connection with chronic alcoholism or chemical dependency.
10. **Other Programs:** Charges to the extent they would be covered under any other program paid for in full or in part, directly or indirectly, by the Contract Holder. This includes insured and uninsured programs. If a program provides benefits in the form of services, the cash value of each service rendered is considered the benefit provided for that service.
11. **Charge Not Reasonably Necessary:** A charge for a service not reasonably necessary, or not customarily performed, for the Long Term Care of the person. To be considered "reasonably necessary," a service must meet all of these tests:
  - a. It is commonly and customarily recognized as appropriate for the condition.
  - b. It is neither educational nor experimental in nature.
  - c. It is not furnished mainly for the purpose of medical or other research.

- 12. Felony, Riot or Insurrection:** Charges for a condition due to participation in an act of felony, riot or insurrection.
- 13. Non-Covered Services:** Charges for services and supplies which are not listed as a Covered Service in this Coverage.

**Is the premium based on my current age when I enroll in the plan?**

Yes. Premiums are based on your age at the time you complete and submit an application.

Prudential Long Term Care<sup>sm</sup> Insurance is underwritten by The Prudential Insurance Company of America, 751 Broad Street, Newark, NJ 07102 (800) 732-0416. The insurance coverage offered under Prudential Long Term care<sup>sm</sup> Insurance contains benefits, exclusions, limitations, eligibility requirements and specific terms and provisions under which the insurance coverage may be continued in force or discounted. Coverage may not be available in your state. Coverage is issued under Prudential Long Term Care<sup>sm</sup> Insurance contract series 83500.